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Poland's Failure to Supply Goods Causes Economic Disruptions in Eastern Europe

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For lack of Polish integrated circuits, the Banska Bystrica computer enterprise in Czechoslovakia is assembling fewer computers. For lack of Polish sulfur, East German gunpowder makers are having to hunt for Western suppliers. For lack of Polish brake systems, the Soviet heavy-duty truck plant on the Kama River is searching for replacement parts.

Indeed, for lack of hundreds of Polish-made items, economic plans are in disarray throughout Eastern Europe.

"The Poles supply important bits and pieces for a multitude of essential products in all of the Socialist countries," says Stan Rudcenko, the London staff economist at Bankers Trust. "Poland's failure to deliver is causing major headaches everywhere."

Big disruptions have been created by the sharp drop in the output of Polish coal, the country's most important export. But delayed and canceled deliveries of other goods have also affected everything from Russian cosmetics to Czechoslovakian nuclear plants.

Mr. Rudcenko says that most of the gaps caused by Poland's labor strife and economic chaos must be filled by Western goods, costing Eastern Europe more of the scarce hard currency it sorely needs to repay Western debts and buy the advanced technology and other products unavailable from their Communist neighbors.

The Soviet Union delivered a sharp warning to Poland at this week's Polish Communist Party Congress in Warsaw. Viktor Gryshin, a Soviet Politburo member, told the delegates that Poland's failure to make deliveries had "painfully affected" the interests of its Communist trading partners and that the Soviet Union couldn't remain indifferent to the situation.

But economic planners of the Soviet bloc assume that no matter what is decided at the party congress, Polish production will remain highly unreliable for some time. Accordingly, they are wrestling with the bureaucratic nightmare of trying to revise the rigid state economic plans that have been riddled by the missed Polish deliveries.

In the past year, Poland has failed to supply its Communist neighbors with half of the car parts and electronics equipment they rely on. It has also reneged on over 75% of its contracted deliveries of coal this year and probably more than half of the deliveries of other vital materials such as sulfur, zinc and copper.

Czechoslovakia's Banska Bystrica computer company says things aren't getting any better. In a Bratislava radio interview, a company official says, "The situation is far worse this year because we asked for roughly 19,000 integrated circuits and they didn't even send us a confirmation. The re-

sult was we had to import the integrated circuits from capitalist countries."

Because of the Polish economic bedlam, the 10 Communist nations of the Community for Mutual Economic Assistance, or Comecon, were unable to complete the long-overdue coordination of their 1981-85 five-year plans when they met in Bulgaria early this month. (Comecon consists of the Soviet Union, Poland, Czechoslovakia, East Germany, Romania, Hungary and Bulgaria, plus Cuba, Mongolia and Vietnam.)

The main document before delegates at the party conference in Warsaw is a government program to overcome Poland's economic crisis. It aims chiefly at getting production rolling again. The official party newspaper Trybuna Ludu said recently that more than a third of Polish industry will be idle by the first quarter of next year because of this year's drastic drop in coal production and shortages of raw materials and semi-manufactured goods.

In a rare bit of candor, Poland's planning minister, Zbigniew Madej, recently told the parliament, "Unless we start on economic reform immediately, from today, nothing can save us from catastrophe, from a total breakdown of our economy." He urged Poles to realize not only the harm they are doing themselves but also the harm they are doing to neighboring countries.

Many East Europeans who initially sympathized with the Polish labor movement and its demand for economic reforms have begun to lose patience. Poland's recent airline and dock strikes reinforced these Europeans' impression that the Poles were little interested in setting their economic affairs straight.

Eberhard Schulz, an expert on Eastern Europe at the German Institute for Foreign Affairs in Bonn, says, "The problem is that Poles haven't been very interested in reorganizing the economy. They are so caught up in protests, demands and talk of freedom that they ignore the business at hand."

The fact that Poland has in the past gone further than any other satellite nation in working out cooperation agreements within Comecon intensifies the current economic chaos. The Poles delivered some \$9 billion of goods to Comecon countries in 1979.

The Soviets normally get 50% of their Kamaz truck-brake systems from the Poles (they have received none this year) and 90% of their electromagnetic joints for metal-cutting machine tools.

Moreover, the economic systems of the Soviet Union and the satellites are ill-equipped to improvise when they don't get promised deliveries. In the West, plugging a gap in receipts of parts or raw materials may require little more than a phone call to a new supplier. But within Comecon, producers face a daunting bureaucratic maze.

For instance, if a Czechoslovak tractor factory hasn't received enough Polish transmissions, as is said to be the case this year, the factory manager would probably first approach a lower official in charge of farm equipment at the Czechoslovak ministry of agriculture. He in turn would approach the agriculture minister, who would consult the foreign ministry, which had initially approved the import plan and which would have to find another transmission producer.

East Europeans complain that they are particularly hurt by the Polish shortages because the Poles put Western customers at the head of the line for whatever production there is. But this is hardly surprising: The Poles desperately need the currency to service their \$26 billion debt to Western governments and banks.

Philip Hanson, an economic specialist at Birmingham University's Center for Russian and East European Studies, says, "If a product has any world-wide value, they sell it to the West. All East Europeans try to palm off second-best products on each other."

Czechoslovakia was recently the victim of the Polish sales strategy. West German sources say the Czechoslovaks were forced to replace missing Polish sulfur deliveries with purchases in Western Europe. At least part of the sulfur apparently comes from West German suppliers who had purchased it from the Poles.

Jurgen Nutzold of the Munich Institute for Politics and Science says, "Your ability to improvise in Eastern Europe is measured by the extent of your hard-currency reserves. The fewer you have, the less your latitude to adjust."

By that standard, the only country in the Socialist club able to improvise adequately is the Soviet Union itself. It has known foreign-currency reserves in Western banks of \$8 billion and at least \$4 billion in estimated gold reserves. The six Eastern European nations combined have just barely that amount of currency reserves and far less gold.

The Polish production disruptions couldn't have come at a worse time, because the Soviet bloc was already facing some of the worst consumer-goods shortages since the 1950s. To varying degrees, each Eastern European country has had to deprive its own citizens to keep Polish people fed and Poland's creditors satisfied.

The Soviet Union has lent Poland \$4.5 billion in the past year and has deferred interest and other debt payments since last August.

A Frankfurt banker who recently visited the Soviet Union says, "So far, the Soviets have considered subsidizing Poland cheaper than invading it."

The Soviets realize that the economic aftereffects of an invasion could be devastating. The stuttering Polish production might grind to a halt for a long time. Western banks might stop loans to Soviet-bloc countries, further restricting development plans.

However, the cost to Moscow and its allies of subsidizing the Poles continues to rise, and the economic argument against Soviet intervention grows progressively